

Buy (old: Buy)

21.03.2025

EUR 1.30 (old: EUR 1.50)

Softer profitability in FY25 and going forward; chg.

Topic: DEMIRE released FY24 results, showing rental income in line with our estimates but FFO weaker than expected. Further, the new outlook also reflects softening profitability. **In detail:**

FY24 rental income decreased by 16.9% yoy to € 65.3m (eNuW: € 66.1m). The decline was mainly driven by the disposals of the "LogPark Leipzig" (€ 7.8m effect on annualized rent) as well as the deconsolidation of the "LIMES" portfolio (€ 9.7m effect). Overall, the company was able to achieve record high asset disposals to the tune of € 110m (6% below BV).

FY24 FFO came in at € 23.8m, down 36.4% yoy and also clearly behind our estimate of € 28.4m. The gap to our estimate is mainly explained by a weaker than expected NOI margin (-5.1pp yoy) as well as higher admin and other operating expenses. The latter were mainly affected by legal and advisory fees connected to the bond restructuring while regular other OpEx remained stable.

Vacancy levels remain an issue at DEMIRE, as the vacancy rate increased bei 2pp to 15.1%, mainly driven by the insolvency of meinReal and Deutsche Telekom partly vacating an asset in Darmstadt. Going forward, management reiterated that improving the vacancy levels is on of the key strategic targets, while not providing a specific target for FY25. In our view, a reduction to 12-13% should be seen as a success, while in the mid-term levels of <10% should be the target.

On a positive note, the company was able to improve its LTV ratio by 6.3pp to 51.0% following the successful refinancing of the corporate bond, partly below par, as well as several asset disposals. Going forward, we expect further improvement given continued deleveraging in accordance with the refinancing agreement.

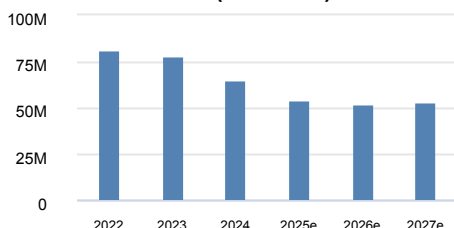
FY25 outlook. With the release, management also provided a guidance for FY25, targeting rental income of € 51-53m (eNuW new: € 54.1m) and an FFO of € 3.5-5.5m (eNuW new: € 4.5m). The new guidance appears sensible in our view, given annualized contracted rent of € 56.4m as of FY24.

Despite the mixed release and muted outlook, the stock remains undervalued, in our view, given a current NAV discount of 65%. We hence reiterate our **BUY recommendation** but reduce our PT to € 1.30 (old: € 1.50) based on our NAV model.

Y/E 31.12 (EUR)	2022	2023	2024	2025e	2026e	2027e
Net rental income	81.1	78.5	65.3	54.1	52.4	53.7
Rental income growth	-27.1%	6.6%	-19.9%	-7.5%	-3.2%	2.5%
FFO	44.6	36.7	23.4	4.5	8.2	11.0
Net profit	-71.5	-152.0	-87.5	-1.1	14.6	32.2
EPS	-0.62	-1.39	-0.82	-0.01	0.13	0.29
FFO yield	28.2%	23.2%	14.8%	2.9%	5.2%	6.9%
FFO margin	55.0%	46.8%	35.8%	8.4%	15.7%	20.4%
NTA per share	4.6	3.3	2.4	2.4	2.6	2.9
Dividend yield	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%
P/NTA premium/discount	-67.2%	-54.0%	-38.7%	-37.7%	-41.6%	-48.8%
P/FFO	3.5	4.3	6.8	34.9	19.2	14.4
Loan-to-value (LTV)	53.6%	57.3%	51.0%	50.4%	47.1%	45.4%
Implied yield	8.7%	9.4%	10.8%	9.4%	9.7%	9.8%

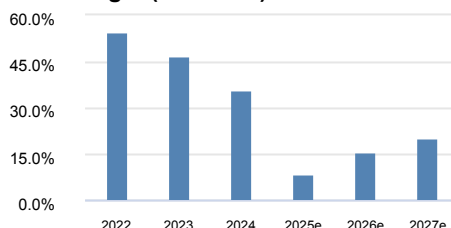
Source: Company data, NuWays, Close price as of 18.03.2025

Net rental income (2022-27e)



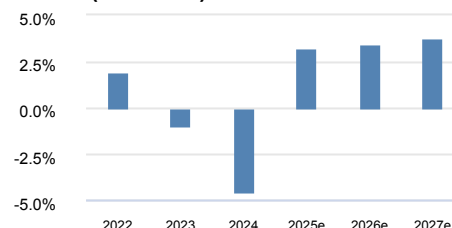
Source: NuWays Research

FFO margin (2022-27e)



Source: NuWays Research

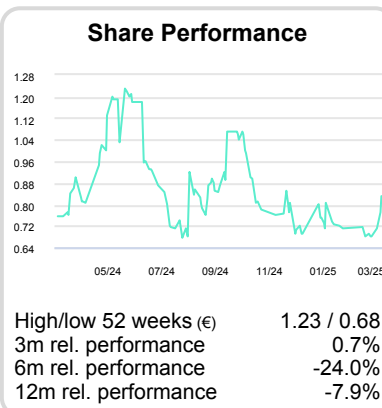
ROCE (2022-27e)



Source: NuWays Research

Company description

DEMIRE is a German real estate company specializing in promising commercial real estate located in larger cities and their adjacent metropolitan areas. Properties are predominantly used as offices, but hotel, retails and logistics properties complement DEMIRE's offering.



Market data

Share price (in €)	0.83
Market cap (in € m)	161.7
Number of shares (in m pcs)	0.0
Enterprise value (in € m)	576.6
Ø trading volume (6 months)	7,522

Identifier

Bloomberg	DMRE GR
Reuters	DMRE
WKN	A0XFSF
ISIN	DE000A0XFSF0

Key shareholders

Apollo	58.6%
Wecken Group	32.1%
Treasury Shares	2.1%
Free Float	7.2%

Estimates changes

	2025e	2026e	2027e
Net rents	-3%	0%	0%
FFO	-73%	-49%	-46%
EPS	-73%	-49%	-46%

Comment on changes

- Changes reflect FY24 numbers and new guidance.

Guidance

- FY25 Rental Income: € 51-53m
- FY25 FFO: € 3.5-5.5m

Financials

Profit and loss (EUR m)	2022	2023	2024	2025e	2026e	2027e
Net rental income	81.1	78.5	65.3	54.1	52.4	53.7
Direct property expenses	46.8	42.0	36.0	27.1	26.2	26.9
Net operating income	34.2	36.5	29.2	27.1	26.2	26.9
Earnings from property disposals	-8.2	-14.3	-7.3	-3.0	-2.5	0.0
Earnings from project developments	0.0	0.0	0.0	0.0	0.0	0.0
Earnings from other property activities	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	28.9	24.0	18.0	12.7	12.3	12.6
Total revenues	101.8	88.2	75.9	63.8	62.2	66.3
Revaluation result from investment properties (net)	-98.9	-176.8	-58.7	0.0	14.2	29.7
Total income	2.9	-88.6	17.3	63.8	76.4	96.0
Administrative expenses	4.1	5.1	7.3	4.4	3.7	3.4
Personnel expenses	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	16.8	26.8	9.9	1.6	1.6	1.6
Total operating expenses	27.5	38.5	23.7	12.4	11.5	11.3
EBITDA	-71.4	-169.0	-42.5	24.3	38.6	57.8
EBITDA excl revaluation result (net)	27.5	7.8	16.2	24.3	24.4	28.1
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	-71.4	-169.0	-42.5	24.3	38.6	57.8
EBITA excl revaluation result (net)	27.5	7.8	16.2	24.3	24.4	28.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	1.5	18.9	50.5	1.0	1.0	1.0
EBIT (incl revaluation net)	-72.9	-187.9	-93.0	23.3	37.6	56.8
EBIT (excl revaluation net)	26.0	-11.1	-34.3	23.3	23.4	27.1
Interest income	18.4	22.5	44.9	0.9	1.9	1.9
Interest expenses	19.3	17.1	32.8	20.6	17.6	16.1
Depreciation of financial investment	0.0	0.0	0.0	0.0	0.0	0.0
Investment income	0.5	5.1	-1.7	-4.8	-4.8	-4.8
Financial result	-0.4	10.5	10.4	-24.5	-20.5	-19.0
Earnings before taxes	-73.3	-177.5	-82.6	-1.3	17.2	37.9
Earnings before taxes (excl revaluation result)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Taxes	6.8	12.6	1.8	-0.2	2.6	5.7
Net income from continuing operations (incl reval. result)	-71.5	-152.0	-87.5	-1.1	14.6	32.2
Net income from continuing operations (excl reval. result)	27.4	24.8	-28.8	-1.1	0.4	2.5
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary items (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative effect of accounting changes (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income (incl revaluation result net)	-71.5	-152.0	-87.5	-1.1	14.6	32.2
Net income (excl revaluation result net)	27.4	24.8	-28.8	-1.1	0.4	2.5
Minority interest	-5.8	-4.8	-1.0	-0.1	0.7	1.6
Net income (net of minority interest, incl reval. result)	-65.7	-147.2	-86.5	-1.0	13.9	30.6
Net income (net of minority interest, excl reval. result)	33.1	29.6	-27.8	-1.0	-0.4	0.9
Funds from operations (FFO)	44.6	36.7	23.4	4.5	8.2	11.0

Profit and loss (common size)	2022	2023	2024	2025e	2026e	2027e
Net rental income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct property expenses	57.8%	53.5%	55.2%	50.0%	50.0%	50.0%
Net operating income	42.2%	46.5%	44.8%	50.0%	50.0%	50.0%
Earnings from property disposals	neg.	neg.	neg.	neg.	neg.	0.0%
Earnings from projects developments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings from other property activities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	35.6%	30.6%	27.5%	23.4%	23.4%	23.4%
Total revenues	125.5%	112.4%	116.3%	117.9%	118.6%	123.4%
Revaluation result from investment properties (net)	neg.	neg.	neg.	0.0%	27.1%	55.3%
Total income	3.6%	neg.	26.5%	117.9%	145.8%	178.7%
Administrative expenses	5.1%	6.5%	11.1%	8.1%	7.0%	6.3%
Personnel expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	35.6%	30.6%	27.5%	23.4%	23.4%	23.4%
Total operating expenses	33.9%	49.0%	36.3%	23.0%	22.0%	21.0%
EBITDA	neg.	neg.	neg.	44.9%	73.8%	107.7%
EBITDA excl revaluation result (net)	33.9%	9.9%	24.8%	44.9%	46.6%	52.4%
Depreciation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITA	neg.	neg.	neg.	44.9%	73.8%	107.7%
EBITA excl revaluation (net)	33.9%	9.9%	24.8%	44.9%	46.6%	52.4%

Profit and loss (common size)	2022	2023	2024	2025e	2026e	2027e
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	1.9%	24.1%	77.4%	1.8%	1.9%	1.9%
EBIT (incl revaluation net)	neg.	neg.	neg.	43.0%	71.8%	105.8%
EBIT (excl revaluation net)	32.0%	neg.	neg.	43.0%	44.7%	50.5%
Interest income	22.7%	28.7%	68.7%	1.7%	3.7%	3.6%
Interest expenses	23.8%	21.8%	50.2%	38.1%	33.6%	30.0%
Depreciation of financial investment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income	0.6%	6.5%	neg.	neg.	neg.	neg.
Financial result	neg.	13.4%	15.9%	neg.	neg.	neg.
Earnings before taxes (incl revaluation result)	neg.	neg.	neg.	neg.	32.7%	70.5%
Earnings before taxes (excl revaluation result)	31.5%	neg.	neg.	neg.	5.6%	15.2%
Taxes	neg.	neg.	7.4%	neg.	4.9%	10.6%
Net income from continuing operations (incl reval. result)	neg.	neg.	neg.	neg.	27.8%	59.9%
Net income from continuing operations (excl reval. result)	33.8%	31.6%	neg.	neg.	0.7%	4.6%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Extraordinary items (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cumulative effect of accounting changes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income (incl revaluation result net)	neg.	neg.	neg.	neg.	27.8%	59.9%
Net income (excl revaluation result net)	33.8%	31.6%	neg.	neg.	0.7%	4.6%
Minority interest	neg.	neg.	neg.	neg.	1.4%	3.0%
Net income (net of minority interest, incl reval. result)	neg.	neg.	neg.	neg.	26.4%	56.9%
Net income (net of minority interest, excl reval. result)	33.8%	31.6%	neg.	neg.	0.7%	4.6%
Funds from operations (FFO)	55.0%	46.8%	35.8%	8.4%	15.7%	20.4%

Source: Company data, NuWays

Balance sheet (EUR m)	2022	2023	2024	2025e	2026e	2027e
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Investment properties	1,231.1	947.3	724.7	710.6	742.5	787.1
Property, plant and equipment	0.2	0.2	0.1	0.1	0.1	0.1
Financial assets	87.9	73.9	63.3	63.3	63.3	63.3
Other non-current assets	6.7	8.3	5.1	5.1	5.1	5.1
Deferred taxes	-8.6	-38.1	3.1	0.0	0.0	0.0
FIXED ASSETS	1,325.8	1,029.6	793.1	779.0	811.0	855.5
Properties held for sale	121.0	149.1	76.7	50.0	0.0	0.0
Accounts receivable	13.8	14.2	12.0	9.6	9.3	9.6
Other current assets	12.2	14.7	24.6	24.6	24.6	24.6
Liquid assets	57.4	120.0	44.8	24.9	10.0	18.2
CURRENT ASSETS	211.0	298.0	158.1	109.1	43.9	52.4
TOTAL ASSETS	1,536.9	1,327.5	951.2	888.1	854.9	907.9
Subscribed capital	105.5	105.5	105.5	105.5	105.5	105.5
Surplus capital	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	410.5	345.3	199.1	109.5	111.7	132.8
Net profit/loss	-65.7	-147.2	-86.5	-1.0	13.9	30.6
SHAREHOLDER'S EQUITY	450.2	303.6	218.1	214.0	231.0	268.9
MINORITY INTEREST	36.5	29.7	23.8	23.8	23.8	23.8
PROVISIONS AND ACCRUED LIABILITIES	16.1	26.9	25.9	25.9	25.9	25.9
short-term liabilities to banks	15.6	120.3	116.3	30.0	30.0	30.0
Bonds (long-term)	546.4	499.0	225.0	155.1	105.1	0.0
long-term liabilities to banks	267.0	171.7	144.7	254.7	254.7	374.7
other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Interest-bearing liabilities	829.1	791.1	486.0	439.8	389.8	404.7
Accounts payable	16.6	10.0	23.8	11.1	10.8	11.0
Current liabilities	128.9	138.4	157.4	144.7	144.3	144.6
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	76.0	37.9	40.0	40.0	40.0	40.0
LIABILITIES	1,034.0	967.4	683.4	624.5	574.1	589.3
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	1,536.9	1,327.5	951.2	888.1	854.9	907.9

Balance sheet (common size)	2022	2023	2024	2025e	2026e	2027e
Intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment properties	80.1%	71.4%	76.2%	80.0%	86.9%	86.7%
Property, plant and equipment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial assets	5.7%	5.6%	6.7%	7.1%	7.4%	7.0%
Other non-current assets	0.4%	0.6%	0.5%	0.6%	0.6%	0.6%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FIXED ASSETS	86.3%	77.6%	83.4%	87.7%	94.9%	94.2%
Properties held for sale	7.9%	11.2%	8.1%	5.6%	0.0%	0.0%
Accounts receivable	0.9%	1.1%	1.3%	1.1%	1.1%	1.1%
Other current assets	0.8%	1.1%	2.6%	2.8%	2.9%	2.7%
Liquid assets	3.7%	9.0%	4.7%	2.8%	1.2%	2.0%
CURRENT ASSETS	13.7%	22.4%	16.6%	12.3%	5.1%	5.8%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subscribed capital	6.9%	7.9%	11.1%	11.9%	12.3%	11.6%
Surplus capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Additional paid-in capital	26.7%	26.0%	20.9%	12.3%	13.1%	14.6%
Net profit/loss	-4.3%	-11.1%	-9.1%	-0.1%	1.6%	3.4%
SHAREHOLDERS EQUITY	29.3%	22.9%	22.9%	24.1%	27.0%	29.6%
MINORITY INTEREST	2.4%	2.2%	2.5%	2.7%	2.8%	2.6%
PROVISIONS FOR PENSIONS AND SIMILIAR OBLIGATIONS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
short-term liabilities to banks	1.0%	9.1%	12.2%	3.4%	3.5%	3.3%
Bonds (long-term)	35.6%	37.6%	23.7%	17.5%	12.3%	0.0%
long-term liabilities to banks	17.4%	12.9%	15.2%	28.7%	29.8%	41.3%
other interest-bearing liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest-bearing liabilities	53.9%	59.6%	51.1%	49.5%	45.6%	44.6%
Accounts payable	1.1%	0.8%	2.5%	1.3%	1.3%	1.2%
Current liabilities	8.4%	10.4%	16.5%	16.3%	16.9%	15.9%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred taxes	4.9%	2.9%	4.2%	4.5%	4.7%	4.4%
LIABILITIES	67.3%	72.9%	71.8%	70.3%	67.2%	64.9%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2022	2023	2024	2025e	2026e	2027e
Net profit	-73.3	-177.5	-82.6	-1.3	17.2	37.9
Other recurrent / non-recurrent items	119.7	225.1	101.1	3.0	-11.7	-29.7
Increase/decrease in working capital	1.6	-6.9	16.0	-10.4	-0.0	0.0
Cash flow from operating activities	48.0	40.7	34.5	-8.6	5.4	8.2
CAPEX	0.0	12.9	14.0	22.2	17.8	14.9
Payment for acquisitions	-32.4	0.0	0.0	0.0	0.0	0.0
Financial investments	1.5	0.0	-4.3	0.0	0.0	0.0
Income from asset disposals	4.5	78.3	106.9	57.0	47.5	0.0
Cash flow from investing activities	-26.3	65.4	88.6	34.8	29.7	-14.9
Increase/decrease in debt position	-51.2	-25.1	-152.5	-46.2	-50.0	14.9
Dividends paid	-35.4	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Others	-17.3	-18.4	-45.8	0.0	0.0	0.0
Cash flow from financing activities	-103.9	-43.6	-198.3	-46.2	-50.0	14.9
Cash flow from operating activities	48.0	40.7	34.5	-8.6	5.4	8.2
Cash flow after maintenance capex	-73.3	-177.5	-82.6	-1.3	17.2	37.9
Cash flow before financing	118.8	106.1	131.7	26.2	35.1	-6.6
Increase/decrease in liquid assets	50.3	62.5	-66.6	-20.0	-14.9	8.3
Key ratios (EUR m)	2022	2023	2024	2025e	2026e	2027e
Return on Equity						
Net profit / Y/E equity	7.4%	9.8%	-12.7%	-0.5%	-0.2%	0.3%
Recurring net profit / Y/E equity	9.9%	12.1%	10.7%	2.1%	3.6%	4.1%
Net profit / avg. equity	7.4%	9.8%	-12.7%	-0.5%	-0.2%	0.3%
Recurring net profit / avg. equity	9.9%	12.1%	10.7%	2.1%	3.6%	4.1%
Security						
Net debt	771.6	671.1	441.2	415.0	379.8	386.5
Debt / equity	184.1%	260.6%	222.8%	205.5%	168.7%	150.5%
Net gearing	171.4%	221.0%	202.3%	193.9%	164.4%	143.7%
Interest cover	1.3	-0.6	-1.0	1.1	1.3	1.7
EBIDTA / interest paid	-3.7	-9.9	-1.3	1.2	2.2	3.6
Dividend payout ratio	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend cover	n.a.	n.a.	n.a.	5.0	n.a.	n.a.
Loan-to-value (LTV)	53.6%	57.3%	51.0%	50.4%	47.1%	45.4%
Return on Net Asset Value	9.2%	10.7%	9.1%	1.8%	3.0%	3.6%
Liquidity						
Current ratio	1.0	1.0	0.5	0.5	0.2	0.2
Acid test ratio	1.0	1.0	0.5	0.5	0.2	0.2
Valuation metrics						
FFO	44.6	36.7	23.4	4.5	8.2	11.0
FFO per share	0.42	0.35	0.22	0.04	0.08	0.10
NTA per share	4.6	3.3	2.4	2.4	2.6	2.9

Source: Company data, NuWays

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Company	Disclosures
DEMIRE AG	2

Historical target price and rating changes for DEMIRE AG

Company	Date	Analyst	Rating	Target Price	Close
DEMIRE AG	11.10.2024	Sennewald, Philipp	Buy	EUR 1.50	EUR 1.04

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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